

Message Text

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PAGE 01 KABUL 01843 200506 Z

13

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ADP-00 AID-20 TRSY-11 L-03

H-02 CEA-02 PA-03 PRS-01 USIA-12 RSR-01 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 RSC-01 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 NSC-10 SS-14

STR-08 /187 W

----- 096228

R 200345 Z MAR 73

FM AMEMBASSY KABUL

TO SECSTATE WASHDC 2436

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY TOKYO

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E. O. 11652: GDS

TAGS: EFIN, AF

SUBJECT: MEETING WITH A. S. RAY OF IMF

REF: KABUL 1410(NOTAL)

1. A. S. RAY, ACCOMPANIED BY IMF RESREP STIG VON POST, CALLED ON AMBASSADOR, DCM AND ECONOFF MARCH 17. RAY REVIEWED RESULTS THUS FAR ON HIS MEETINGS WITH RGA OFFICIALS, PRIMARILY MINFIN MOHAMMAD KHAN JALALLAR AND DAAFBANK GOVERNOR ACHEKZQI DURING HIS CURRENT VISIT.

2. RAY REPORTED THAT MOST DISCUSSIONS UP TO THAT POINT HAD BEEN IN TERMS OF AFGHAN FISCAL AND MONETARY POLICIES AND LITTLE OR NO DISCUSSION OF IMF STANDBY PER SE. RAY SAID THAT WHILE RGA (READ JALALLAR) DISAPPOINTED IN USG POSITION ON DEBT RESCHEDULING, RGA NONETHELESS MOVING AHEAD TO UNDERTAKE NECESSARY SELF - HELP MEASURES IN TERMS THAT WOULD LEAD TO IMF STANDBY IN NEAR FUTURE. HE SAID HE HAD FOUND MORE UNDERSTANDING OF USG POSITION ON PART OF

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PAGE 02 KABUL 01843 200506 Z

RGAs OFFICIALS THAN HE HAD EXPECTED.

3. VON POST SAID THAT IN ADDITION TO ADJUSTMENTS IN FOREIGN EXCHANGE SURRENDER RATES, A SERIES OF ACTIONS TO INCREASE TAX RECEIPTS BOTH IN TERMS OF NEW TAXES AND IMPROVED COLLECTION WOULD BE TAKEN. HE SAID AS MANY OF SUCH ACTIONS THAT COULD BE TAKEN BY ADMINISTRATIVE ACTION OR DECREE WITHOUT REFERENCE TO PARLIAMENTARY ACTION WOULD BE UNDERTAKEN, BUT THAT SOME OF THE NEW TAXES WOULD REQUIRE PARLIAMENTARY CONSIDERATION. BOTH RAY AND VON POST EMPHASIZED THAT RGA CLEARLY DID NOT WISH TO JEOPARDIZE ITS CREDIT STANDING BY DEFAULTING ON ANY DEBTS AND WOULD AT SOME POINT SEEK TO ACT TO IMPLEMENT ITS BELIEF THAT DEBT RELIEF FROM IMF MEMBERS WOULD BE ESSENTIAL TO PREVENT DEFAULT. THEY ALSO INDICATED THAT IT WAS ALL BUT IMPOSSIBLE FOR THE RGA TO UTILIZE ANY OF ITS GOLD HOLDINGS AT THIS TIME, IMPLYING CLEARLY THAT OFFICIAL IMF RATE AS CONTRASTED WITH FREE RATE WAS AN ESSENTIAL FACTOR IN RGA THINKING.

4. RAY SAID THAT THERE WERE SOME ELEMENTS IN RGA WHO REPORTEDLY WERE TAKING POSITION THAT IF USG WOULD ONLY CONSIDER DEBT RELIEF IN TERMS OF BANKRUPTCY, THAT RGA SHOULD NOT RPT NOT UNDERTAKE NECESSARY SELF- HELP MEASURES AND DRAW DOWN ITS RESERVES IN ORDER TO MEET THIS APPARENT USG BASIC CRITERION. RAY AND VON POST BELIEVE THAT THIS VIEW WILL NOT PREVAIL, HOWEVER, AND THAT JALALLAR' S POSITION WILL CARRY, I. E. THAT STEPS RECOMMENDED BY IMF AND OTHERS WERE INTRINSICALLY VITAL TO RGA DEVELOPMENT REGARDLESS OF ANY STANDBY OR RESCHEDULING.

5. WE MENTIONED BRIEFLY POSSIBILITY OF PROJECT FOR MODERNIZATION OF FINANCIAL SECTOR. WE INDICATED THAT AID PREPARED TO CONSIDER SYMPATHETICALLY TECHNICAL ASSISTANCE IN FORM OF SHORT- TERM EXPERTS, BUT THAT CURRENT THINKING OF FOUR EXPERTS THROUGH AID CHANNELS TOO MANY AND THAT IMF AND/ OR IBRD SHOULD BE PREPARED TAKE UP REASONABLE SHARE OF THESE PERSONNEL. RAY DID NOT DEMUR ON THIS, SAYING THAT IF REQUEST RECEIVED IMF SHOULD BE ABLE FINANCE ONE OR MORE EXPERTS. WE UNDERSTAND THAT KYAW MYINT, IBRD RESREP, HAS ALSO INDICATED SYMPATHETIC UNDERSTANDING AND WILLINGNESS TO CONSIDER FINANCING ADDITIONAL EXPERTS.

6. COMMENT: AMBASSADOR, DCM AND ECONOFF ALL WARMLY COMMENDED SUPERIOR TECHNICAL JOB BEING DONE HERE BY IMF RESREP VON POST, AS WELL AS HIS WILLINGNESS WORK VERY CLOSELY WITH EMBASSY IN LIMITED OFFICIAL USE

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PAGE 03 KABUL 01843 200506 Z

COORDINATING APPROACHES TO RGA, ESPECIALLY JALALLAR. ALSO
EXPRESSED DEEP APPRECIATION FOR RAY' S OWN UNDERSTANDING OF USG
POSITION AND ENCOURAGED CONTINUED CLOSE CONSULTATION. WE NOTED
FORTHCOMING VISIT MARSHALL CASSE AND OUR EXPECTATION THAT THIS
WOULD BE FURTHER OPPORTUNITY TO REVIEW WITH RGA, USG POSITION.
IN RESPONSE TO QUESTION CONCERNING FRG VIEWS, RAY SAID GERMANS
IN BEST POSSIBLE SITUATION SINCE THEY HAVE INDICATED TO RGA
WILLINGNESS TO FOLLOW USG LEAD AND THAT IF USG NOT PREPARED
CONSIDER RESCHEDULING AT THIS TIME THERE WAS LITTLE FRG COULD
DO. THIS CLEARLY INDICATED TO RGA THAT GERMANS MORE FORTHCOMING
THAN USG.
NEUMANN

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*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KABUL01843
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: KABUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730333/aaaaibid.tel
Line Count: 131
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 KABUL 1410(NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: worrelsw
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26-Jul-2001 by izenbei0>; APPROVED <24-Aug-2001 by worrelsw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 971216
Subject: MEETING WITH A. S. RAY OF IMF
TAGS: EFIN, AF
To: EB
SECSTATE WASHDC INFO BONN
LONDON
TOKYO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005